

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7438

BILL NUMBER: HB 1449

NOTE PREPARED: Jan 20, 2013

BILL AMENDED:

SUBJECT: Township Assistance Tax Rate.

FIRST AUTHOR: Rep. Candelaria Reardon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill separates the township assistance levy from the township's general fund levy, and provides for a levy based on a rate calculation that must be used to determine a township assistance levy after 2013. The bill specifies that the township assistance levy may not exceed the amount that would be raised by a tax rate equal to: (1) the 2013 statewide average township assistance property tax rate multiplied by eight; multiplied by (2) the school complexity index for the largest school corporation in the township.

The bill provides that for a township that has a 2013 township assistance tax rate above this calculated maximum rate, the change is phased in over two years. It provides that if the calculated maximum rate for a township for 2014 is greater than or equal to the 2013 rate, the assessed value growth quotient (AVGQ) applies for 2014 and thereafter. The bill provides that for other townships, the AVGQ applies after 2015, after the new rate is fully phased in.

This bill permits a township to increase the township assistance levy only if there is a corresponding reduction in the township's general fund levy. The bill also specifies that if the township is located in a county for which a local option income tax for property tax levy freeze purposes is first imposed or increased, the township assistance fund levy remains the same for that year.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* Based on 2012 levies and tax rates, and estimated assessed value and levies for future years under current law, this bill would result in a lower township assistance (TA) maximum levy for Calumet Township in Lake County. No other township would meet the qualifications under this provision. Calumet Township's TA levy was \$8.9 M in 2012. The levy would be reduced by a total of about \$0.8 M in 2014, \$1.6 M in 2015, and \$2.4 M in 2016.

Calumet Township's 2012 TA tax rate was \$0.3153 per \$100 AV. Under this provision, the tax rate would decline to an estimated \$0.27 in 2014, \$0.24 in 2015, and \$0.21 in 2016.

Circuit breaker losses for the civil taxing units and school corporations that intersect with Calumet Township would be reduced by \$0.7 M in 2014, \$1.3 M in 2015, and \$1.9 M in 2016.

Net tax bills would be reduced by an estimated \$114,000 in 2014, \$241,000 in 2015, and \$344,000 in 2016. Net TIF Revenues (after reductions in both gross taxes and circuit breaker losses) would decline by about \$3,300 in 2014, \$7,700 in 2015, and \$9,500 in 2016.

(Please see the table at the end of this document for the estimated impact on net revenues by taxing unit.)

Background: Under current law, townships have two separate maximum levies, one for firefighting and the other for all other controlled levies. This bill would create a third township maximum levy, for township assistance, beginning with 2014 taxes. The general maximum levy limit would be reduced by the amount of the TA maximum levy.

A township's 2014 TA maximum levy would be equal to the levy generated by a tax rate computed as follows: The lesser of (1) 8 times the state average 2013 TA tax rate multiplied by the complexity index for the school corporation in the township with the greatest ADM count or (2) the 2013 TA tax rate. If the initial tax rate is less than the 2013 TA tax rate, then the reduction would be phased in from 2014 to 2016. One-third of the reduction would be applied in 2014, and two-thirds would be applied in 2015. The new maximum levy would be fully in place by 2016. The normal maximum levy growth at the assessed value growth quotient (AVGQ) would apply immediately for any township for which the tax rate is not reduced under this proposal. The AVGQ would apply to the affected township after the levy reduction is phased in.

The bill would permit a township to increase its TA tax rate in a particular year by reducing the township's general fund tax rate for that year. However, a township would not have the ability to increase its general fund tax rate by reducing its TA rate.

The total township general maximum levy for 2012 was \$84.8 M with the total TA levy equal to \$40.7 M. There were 147 townships with no TA levy. These townships would have no 2014 TA maximum levy under the bill.

State Agencies Affected:

Local Agencies Affected: Calumet Township in Lake County and taxing units that intersect with that township.

Information Sources: LSA Parcel-level property tax database; Local Government Database, DLGF.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

Estimated Change in Net Revenue

Taxing Unit	Net Revenue		
	2013	2014	2015
Lake County	41,423	81,617	124,453
Calumet Township	-482,633	-967,168	-1,463,118
Gary Civil City	156,348	307,404	474,150
Lake Station Civil City	291	588	899
Griffith Civil Town	17,029	33,694	50,008
Lake Ridge School Corp	7,247	14,740	22,541
Lake Station School Corp	119	242	374
Gary Community School Corp	61,714	123,276	194,139
Griffith Public School Corp	10,661	21,326	32,073
Gary Public Library	15,287	30,020	46,344
Lake County Public Library	2,061	4,090	6,080
Gary Airport	3,817	7,512	11,613
Gary Redevelopment	589	1,161	1,791
Gary Public Transportation	8,536	16,784	25,903
Lake Ridge Fire Protection	1,289	2,561	3,803
Lake County Solid Waste Mgt Dist	1,730	3,411	5,205
Gary Storm Water Management	2,363	4,647	7,161
Total All Units	-152,129	-314,095	-456,581
TIF (By Taxing District)			
45003 Gary Corp Cal Twp Lake Ridge Sch	-204	-389	-600
45004 Gary Corp Cal Twp Gary Sch	-181	-1,581	-436
45006 Griffith Corp Calumet Twp	-2,889	-5,707	-8,481
Total TIF	-3,274	-7,677	-9,517
Grand Total	-155,403	-321,772	-466,098